



Control Number: 50200



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DOCKET NO. 50200

**APPLICATION UNDINE TEXAS, LLC
AND UNDINE TEXAS
ENVIRONMENTAL, LLC FOR
AUTHORITY TO CHANGE RATES**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

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**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO UNDINE TEXAS, LLC AND UNDINE TEXAS ENVIRONMENTAL, LLC
QUESTION NOS. STAFF 1-1 THROUGH 1-39**

Pursuant to 16 Texas Administrative Code (TAC) § 22.144 of the Commission's Procedural Rules, the Staff of the Public Utility Commission of Texas (Staff) requests that the Undine Texas, LLC by and through its attorneys of record, provide the following information and answer the following question(s) under oath. The question(s) shall be answered in sufficient detail to fully present all of the relevant facts, within the time limit provided by the Presiding Officer or within 20 days, if the Presiding Officer has not provided a time limit. Please copy the question immediately above the answer to each question. These question(s) are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.

Provide an original and three copies of your answers to the questions to the Filing Clerk, Public Utility Commission of Texas, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326.

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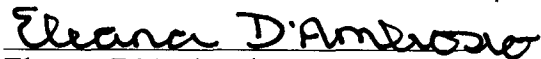
Dated: March 3, 2020

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

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Managing Attorney



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**DOCKET NO. 50200
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on March 3, 2020 in accordance with 16 TAC § 22.74.



Eleanor D'Ambrosio

DOCKET NO. 50200

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO UNDINE TEXAS, LLC AND UNDINE TEXAS ENVIRONMENTAL, LLC
QUESTION NOS. STAFF 1-1 THROUGH 1-39**

DEFINITIONS

- 1) "UT", "Company", or "you" refers to Undine Texas, LLC and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons.
- 2) "UTE", "Company", or "you" refers to Undine Texas Environmental, LLC and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons.
- 3) "Document" includes any written, recorded, or graphic matter, however produced or reproduced, including but not limited to correspondence, telegrams, contracts, agreements, notes in any form, memoranda, diaries, voice recording tapes, microfilms, pictures, computer media, work papers, calendars, minutes of meetings or other writings or graphic matter, including copies containing marginal notes or variations of any of the foregoing, now or previously in your possession. In the event any documents requested by this Request for Information have been transferred beyond the Company's control, describe the circumstances under which the document was destroyed or transferred and provide an exact citation to the subject document. In the event that documents containing the exact information do not exist, but documents do exist which contain portions of the required information or which contain substantially similar information, then the definition of "documents" shall include the documents which do exist and these documents will be provided.

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**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO UNDINE TEXAS, LLC AND UNDINE TEXAS ENVIRONMENTAL, LLC
QUESTION NOS. STAFF 1-1 THROUGH 1-39**

INSTRUCTIONS

- 1) Pursuant to 16 TAC § 22.144(c)(2), Staff requests that answers to the requests for information be made under oath.
- 2) Please copy the question immediately above the answer to each question. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.
- 3) These questions are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer.
- 4) Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall also be taken to mean and include the plural.
- 5) The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.
- 6) If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date, sender, recipients or copies, subject matter of the document, and the basis upon which such privilege is claimed.
- 7) Pursuant to 16 TAC § 22.144(h)(4), if the response to any request is voluminous, please provide a detailed index of the voluminous material.
- 8) Staff requests that each item of information be made available as it is completed, rather than upon completion of all information requested.

DOCKET NO. 50200

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO UNDINE TEXAS, LLC AND UNDINE TEXAS ENVIRONMENTAL, LLC
QUESTION NOS. STAFF 1-1 THROUGH 1-39**

- Staff 1-1** Reference bates pages 44 and 122 of the Application. Please describe the methodology utilized to determine the requested Return on Equity (ROE) of 9.75%. Include all workpapers in electronic spreadsheet format with cell references and formulae intact.
- Staff 1-2** Reference bates page 44 of the Application. Please identify and describe any methodologies Edward Wallace has previously utilized to determine a requested ROE for other water and/or sewer systems.
- Staff 1-3** For each methodology listed in response to Staff 1-2, please identify the state in which the ROE was requested.
- Staff 1-4** If the answer to Staff 1-3 includes a ROE requested in Texas, please provide the associated certificate of convenience and necessity number, docket number in which the ROE was requested, and connection count for the utility.
- Staff 1-5** Reference bates page 122, lines 12-14 of the Application. Please provide all "experience" referenced in this statement, including but not limited to, the following:
- a. Docket number;
 - b. Jurisdiction;
 - c. Name of utility/applicant;
 - d. Size of system, including customer count;
 - e. Test Year used;
 - f. ROE approved by the regulatory authority;
 - g. Methods, including inputs and proxy group (if applicable), relied on by the regulatory authority to determine the authorized ROE;
 - h. Capital structure approved by the regulatory authority;
 - i. Debt cost rate approved by the regulatory authority;
 - j. Date a final order was entered; and
 - k. In cases where Mr. Clayton testified as a witness:
 1. ROE requested by the applicant;
 2. Methods, including inputs and proxy group (if applicable), used to support the requested ROE;
 3. Capital structure requested by the applicant; and
 4. Debt cost rate requested by the applicant.
- Staff 1-6** Reference bates page 122, lines 12-14 of the Application. Please provide all methodologies, including individual inputs, Mr. Clayton has used to determine a ROE in his "experience" that are not listed in response to Staff RFI 1-5.

- Staff 1-7** Reference bates page 122, lines 12-14 of the Application. Please provide all documentation relied on to support the statement that small companies are “far more risky than companies with larger balance sheets.”
- Staff 1-8** Reference bates page 44 of the Application. Is Mr. Wallace aware of any PUC docket numbers that support the 9.75% ROE requested in this case? If the answer is yes, please provide the docket numbers.
- Staff 1-9** Reference bates page 122 of the Application. Is Mr. Clayton aware of any PUC docket numbers that support the 9.75% ROE requested in this case? If the answer is yes, please provide the docket numbers.
- Staff 1-10** Please provide the test year general ledger for UT and UTE in Microsoft Excel format.
- Staff 1-11** If the accounting classifications in the general ledger are different from the application, please provide a detailed mapping of the expense accounts in the general ledger to the expense accounts on Schedule I-1 of the application using the following format.

NARUC Account Number (Schedule I-1)	NARUC Account Title (Schedule I-1)	Undine Account Number	Undine Account Title

- Staff 1-12** Please provide copies of the federal income tax return(s) that include the Company’s utility operations for 2018 and 2019 for both water and sewer.
- Staff 1-13** Please provide copies of federal forms W-2, W-3, 1099, and 1096 for 2018 and 2019 for both water and sewer for the entity that paid any person providing contract services to UT or UTE during the test year.
- Staff 1-14** Please provide copies of contracts supporting the test year Contract Work expense and the known and measurable changes for both water and sewer. Please do not include the contract with Utility Partners requested in OPUC 1-5.
- Staff 1-15** Please provide copies of invoices or other documentation supporting the amounts claimed in the application for Texas margins tax and other related revenue taxes

as well as the known and measurable changes for both water and sewer. Include any workpapers showing the calculations.

- Staff 1-16** Please admit or deny that UT shares office space with an affiliate. If admit, please provide the name of the affiliate and the physical measurements of the office.
- Staff 1-17** Please admit or deny that UTE shares office space with an affiliate. If admit, please provide the name of the affiliate and the physical measurements of the office.
- Staff 1-18** Please provide copies of invoices and other documentation, including calculations and assumptions, supporting the known and measurable changes for office services and rentals of \$35,154 for water.
- Staff 1-19** Please provide copies of invoices and other documentation, including calculations and assumptions, supporting the known and measurable changes for office services and rentals of \$11,078 for sewer.
- Staff 1-20** Please provide copies of invoices and other documentation supporting the amount claimed for regulatory expense (other) for the test year and the known and measurable changes for water.
- Staff 1-21** Please provide copies of invoices and other documentation supporting the amount claimed for regulatory expense (other) for the test year and the known and measurable changes for sewer.
- Staff 1-22** For each employee and officer listed in WP II-7(a), please provide the following:
- a. Name;
 - b. Title/Position and detailed job description;
 - c. Date hired and date of termination, if applicable;
 - d. Rate paid per month or per hour or yearly salary if applicable;
 - e. Total number of hours and percentage of time worked per week for water, sewer, or both; and
 - f. Total number of hours and percentage of time worked per week for any affiliated companies and unaffiliated companies, if any. Please provide the name of the companies.
- Staff 1-23** For all affiliated transactions in the application, please provide documentation demonstrating that the price charged to the utility is no higher than prices charged to other affiliates for the same item or items, or to unaffiliated persons.

- Staff 1-24** For any person that had a portion of their salary allocated to UT or UTE during the test year and is eligible for employee pensions and benefits, please provide the following:
- a. Name; and
 - b. Amounts credited to the individual during the test year.
- Staff 1-25** For any person that had a portion of their salary allocated to UT or UTE during the test year and is not eligible for employee pensions and benefits, please provide the following:
- a. Name; and
 - b. Reason the person is not eligible.
- Staff 1-26** If the Company does not have a formal written capitalization policy that is responsive to OPUC 1-2, please describe the criteria used to determine whether an expense is capitalized.
- Staff 1-27** Reference WP-III-2 at the “Post Test Year Additions” tab. For each asset listed, please answer the following:
- a. Admit or deny that the asset is appropriately recorded in NARUC account no. 101 or 102.
 - b. Admit or deny that the asset comprises at least 10% of the water or wastewater utility’s requested rate base, exclusive of post-test year adjustments and CWIP.
 - c. Describe the attendant impacts on all aspects of the Company’s operations (including but not limited to, revenue, expenses and invested capital) that can with reasonable certainty be identified, quantified and matched. Attendant impacts are those that reasonably result as a consequence of the post-test year adjustment being proposed.
- Staff 1-28** Please admit or deny that UT is seeking to consolidate nine different water rate schedules (not including pass-through rates) under a single base rate. If deny, please identify the number of water rate schedules UT is seeking to consolidate under a single base rate and list all Public Water Systems (PWS) that will be subject to the proposed consolidated rate.
- Staff 1-29** Please identify the most granular level at which the Company analyzed whether the water systems UT is seeking to consolidate under a single base rate are substantially similar in terms of facilities, quality of service, and cost of service. For example, did the Company perform this analysis at the former utility level (Suburban, Orbit, Consumers, etc.), by individual PWS, etc.
- Staff 1-30** For each PWS UT requests to consolidate under a single base rate, please provide all analyses performed by the Company or other documentation that the Company believes shows that the systems are substantially similar in terms of facilities. If

this information is not available by individual PWS, please provide it at the most granular level for which it is available.

- Staff 1-31** For each PWS UT requests to consolidate under a single base rate, please provide all analyses performed by the Company or other documentation that the Company believes shows that the systems are substantially similar in terms of cost of service. If this information is not available by individual PWS, please provide it at the most granular level for which it is available.
- Staff 1-32** For each PWS UT requests to consolidate under a single base rate, please provide the Test Year cost of service, with all components of cost of service broken out to the same level as the proposed system-wide information provided in the application. If this information is not available by individual PWS, please provide it at the most granular level for which it is available.
- Staff 1-33** Please admit or deny that UTE is seeking to consolidate six different sewer rate schedules under a single flat rate. If deny, please identify the number of sewer rate schedules UTE is seeking to consolidate under a single fixed rate and list all subdivisions that will be subject to the proposed consolidated rate.
- Staff 1-34** Please identify the most granular level at which the Company analyzed whether the sewer systems UTE is seeking to consolidate under a single fixed rate are substantially similar in terms of facilities, quality of service, and cost of service. For example, did the Company perform this analysis at the former utility level (EMCAD, Bolivat, etc.), by individual subdivision, etc.
- Staff 1-35** For each subdivision UTE requests to consolidate under a single fixed sewer rate, please provide all analyses performed by the Company or other documentation that the Company believes shows that the systems are substantially similar in terms of facilities. If this information is not available by individual subdivision, please provide it at the most granular level for which it is available.
- Staff 1-36** For each subdivision UTE requests to consolidate under a single fixed sewer rate, please provide all analyses performed by the Company or other documentation that the Company believes shows that the systems are substantially similar in terms of cost of service. If this information is not available by individual subdivision, please provide it at the most granular level for which it is available.
- Staff 1-37** For each subdivision UTE requests to consolidate under a single fixed sewer rate, please provide the Test Year cost of service, with all components of cost of service broken out to the same level as the proposed system-wide information provided in the application. If this information is not available by individual subdivision, please provide it at the most granular level for which it is available.
- Staff 1-38** Please provide a comprehensive explanation of the methodology UTE followed to determine that the wastewater system in Travis County was not suitable for

consolidation with the Company's other wastewater systems and provide all analyses, reports, studies, or other documents that show that the cost of service for the wastewater system in Travis County is not substantially similar to the wastewater systems included in the application.

Staff 1-39 Referencing the documents produced in response to the preceding question, please explain how UTE analyzed this information to reach the conclusion that the cost of service was not substantially similar for the Travis County system.